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UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK

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In re:	:	Chapter 11
	:	
	:	
APPLIEDTHEORY CORPORATION <u>et al.</u> ,	:	Case Nos. 02-11868 (REG)
	:	through 02-11874 (REG)
	:	
Debtors.	:	(Jointly Administered)
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**APPELLANTS' DESIGNATION OF RECORD ON APPEAL
 AND STATEMENT OF ISSUES TO BE PRESENTED**

Pursuant to Rule 8006 of the Federal Rules of Bankruptcy Procedure, Palladin Overseas Fund Ltd., Halifax Fund, L.P., Palladin Partners I, L.P., Hatteras Partners, L.P., Spectrum Investment Partners, LP, Elliott International, L.P. and Elliott Associates, L.P. (collectively, "Appellants"), by and through their undersigned counsel, hereby provide their (i) designation of items to be included in the record on appeal and (ii) statement of issues to be presented on appeal in connection with this Court's Bench Decision and Order on Chapter 11 Trustee's Motion,

Pursuant to Fed.R.Bankr.P. 9019, for Approval of Settlement with Lenders [Docket No. 678] entered in this case on April 24, 2008.

A. Designation of Record

Date	Docket No.¹	Description²
4/18/2002	5	Application for an Order Authorizing Use of Cash Collateral
4/19/2002	15	Emergency Order Authorizing Debtors to Use Cash Collateral and Granting Related Relief
4/23/2002	32	Debtors' Motion Seeking the Entry of Orders: (i) Authorizing the Sale of the Internet Access Business Assets of the Debtors Free and Clear of All Liens, Claims and Encumbrances; (ii) Authorizing the Debtors to Sell Such Assets to Fastnet Acquisition Corp., Inc., a Subsidiary of Fastnet Corporation, or Any Higher or Better Bidder Pursuant to the Terms of an Asset Purchase Agreement Dated April 17, 2002; (iii) Approving a Break-Up Fee and Certain Bidding Procedures; (iv) Authorizing Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection Therewith, (v) Scheduling Hearing(s) and Approving Notice Related Thereto; and (vi) Granting Related Relief
4/23/2002	37	Debtors' Motion Seeking the Entry of Orders; (i) Authorizing the Sale of the Web Hosting and Internet Solutions Assets of the Debtors Free and Clear of All Liens, Claims and Encumbrance; (ii) Authorizing the Debtors to Sell Such Assets to Clearblue Technologies Management, Inc., a Subsidiary of Clearblue Technologies, or Any Higher or Better Bidder Pursuant to the Terms of an Asset Purchase Agreement Dated April 17, 2002; (iii) Approving a Break-Up Fee and Certain Bidding Procedures; (iv) Authorizing Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection Therewith; (v) Scheduling Hearing(s) and Approving Notice Related Thereto; and (vi) Granting Related Relief

¹ Documents that were not assigned a docket number are attached as exhibits.

² Each document identified shall include all exhibits, schedules or attachments thereto.

4/24/2002	61	Stipulation for Continued Use of Cash Collateral
5/1/2002	65	Stipulation for Further Continued Use of Cash Collateral
5/17/2002	108	Third Stipulation for Continued Use of Cash Collateral
5/17/2002	109	Fourth Stipulation for Continued Use of Cash Collateral
5/31/2002	136	Order Pursuant to 11 U.S.C. §§ 105, 363 and 365 (a) Approving Sale of Debtors' Internet Access Business Assets to Fastnet Acquisition Corp. Free and Clear of Claims; (b) Authorizing Assumption and Assignemtn to Purchaser of Certain Exectuory Agreements; and (c) Barring and Prohibiting Excluded Claims Against the Purchaser
6/12/2002	145	Order Authorizing (A) the Proposed Sale of the Debtors' Assets Used or Useful in the Operation of their Web Hosting and Internet Solutions Business (B) Assumption and Assignment of Certain of the Debtors' Executory Contracts, All Free and Clear of Liens, Claims, Encumbrances and Other Interests Pursuant to an Asset Purchase Agreement, as Amended, with Clearblue Technologies Management, Inc.
6/28/2002	159	Fifth Stipulation for Continued Use of Cash Collateral
7/18/2002	170	Sixth Stipulation for Continued Use of Cash Collateral
10/23/2002	213	Seventh Stipulation for Continued Use of Cash Collateral
11/13/2002	224	Eighth Stipulation for Continued Use of Cash Collateral
6/3/2003	348	Ninth Stipulation for Continued Use of Cash Collateral
1/17/2006	586	Trustee's Motion for an Order (i) Authorizing and Approving a Stipulation Settling and Compromising all Claims Between the Debtors' Estates and the Secured Creditors, (ii) Authorizing the Distribution in Respect of the Secured Creditors' Allowed Claims, and

		(iii) Authorizing Dismissal of the Debtors' Chapter 11 Cases
3/3/2006	594	Expedited Application Pursuant to Bankruptcy Code Sections 105, 328 and 1103(A) and Bankruptcy Rule 2014 For Authorization to Employ and Retain Traxi LLC As Expert and Advisor For the Official Committee of Unsecured Creditors Nunc Pro Tunc to March 1, 2006, to Approve and Direct Payment of Post-Petition Retainer and to Pay Such Fees and Expenses Out of the Unencumbered Assets of These Estates As A Super-Priority Administrative Expense Claim
3/8/2006	600	Lenders' Objection to the Application of the Official Committee of Unsecured Creditors For, Inter Alia, Authority to Retain Traxi LLC As Expert and Advisor
3/8/2006	601	Trustee's Objection to the Official Committee of Unsecured Creditors Application to Retain Traxi LLC As Its Expert and Advisor
3/16/2006	603	Notice of Settlement of Order Denying the Application of the Official Committee of Unsecured Creditors to Retain Traxi LLC As Its Expert and Advisor and For Related Relief
3/16/2006	604	Transcript of Hearing Held On March 10, 2006
3/20/2006	606	Initial Objection of the Official Committee of Unsecured Creditors to Trustees Motion for an Order Pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure, (i) Authorizing and Approving Stipulation Settling and Compromising Claims Between the Debtor's Estates and Secured Creditors, (ii) Authorizing Distribution in Respect of Secured Creditors' Allowed Claims and (iii) Authorizing Dismissal of the Debtors' Chapter 11 Cases; Cross Motion for Derivative Authority and Standing and Request to Continue Settlement Hearing Until the Issues Raised by the Committee Have Been Satisfactorily Addressed
3/29/2006	608	Order Denying the Application of the Official Committee of Unsecured Creditors to Retain Traxi LLC As Its Expert and Advisor and For Related Relief
5/5/2006	611	Motion of the Official Committee of Unsecured Creditors for an Order Striking the Report of Yann Geron, Chapter 11 Trustee of the Estate

		of AppliedTheory Corporation, et al., Debtors, Concerning His Review and Determination of Certain Alleged Estate Claims, and Substantive References thereto, as a Basis for Approving the Trustee's Motion for an Order Authorizing and Approving a Stipulation Settling and Compromising All Claims Between the Debtors' Estates and the Secured Creditors, Authorizing the Distribution in Respect of the Secured Creditors' Allowed Claims and Authorizing the Dismissal of the Debtors' Chapter 11 Cases
6/7/2006	617	Trustee's Objection to the Official Committee of Unsecured Creditors Motion for an Order Striking the Trustee's August 3, 2004 Report as a Basis for Approving Trustee's Settlement with the Estate's Secured Creditors
6/7/2006	618	Trustee's Statement in Further Support of his Motion to Approve (i) a Settlement with the Secured Lenders, (ii) Distributions in Respect of the Secured Lenders' Claims, and (iii) Dismissal of these Cases, and in Reply to the Objection Filed by the Official Committee of Unsecured Creditors
6/21/2006	623	Supplement to Objection of the Committee of Unsecured Creditors to Trustee's Settlement Motion and Response to Trustee's Statement in Further Support of Settlement Motion
6/27/2006	625	Notice of Settlement of Order Granting the Motion of the Official Committee of Unsecured Creditors for an Order Striking the Report of Yann Geron, Chapter 11 Trustee of the Estate of AppliedTheory Corporation, Et Al., Debtors, Concerning His Review And Determination of Certain Alleged Estate Claims, And Substantive References thereto, as a Basis for Approving the Trustee's Motion for An Order Authorizing And Approving a Stipulation Settling And Compromising All Claims Between the Debtors' Estates And the Secured Creditors, Authorizing the Distribution In Respect of the Secured Creditors' Allowed Claims and Authorizing the Dismissal of the Debtors' Chapter 11 Cases
6/27/2006	633	Transcript of Hearing Held on June 22, 2006 RE: Trustee's Motion to Approve Stipulations Settling All Claims Between Debtor and the Secured Lenders and Dismissal of the Debtors Chapter 11 Cases
6/28/2006	626	Corrected and Amended Initial Objection of the Official Committee of Unsecured Creditors to Trustee's Motion for an Order pursuant to

		Rule 9019 of the Federal Rules of Bankruptcy Procedure, (i) Authorizing and Approving Stipulation Settling and Compromising All Claims Between the Debtors' Estates and Secured Creditors, (ii) Authorizing Distribution in Respect of Secured Creditor's Allowed Claims and (iii) Authorizing Dismissal of the Debtors' Chapter 11 Cases; Cross Motion for Derivative Authority and Standing and Request to Continue Settlement Hearing Until the Issues Raised by the Committee Have Been Satisfactorily Addressed
6/28/2006	627	Notice of Filing of and Statement With Respect to Corrected and Amended Initial Objection of the Official Committee of Unsecured Creditors to Trustee's Motion for an Order Pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure, (i) Authorizing and Approving Stipulation Settling and Compromising All Claims Between the Debtors' Estates and Secured Creditors, (ii) Authorizing Distribution in Respect of Secured Creditors' Allowed Claims and (iii) Authorizing Dismissal of the Debtors' Chapter 11 Cases; Cross Motion for Derivative Authority and Standing and Request to Continue Settlement Hearing Until the Issues Raised by the Committee Have Been Satisfactorily Addressed
6/29/2006	629	Letter from the Trustee to the Bankruptcy Court with So Ordered Memorandum Endorsement
7/5/2006	630	Secured Creditors' Objection to the Proposed Form of Order Concerning the Motion of the Official Committee of Unsecured Creditors for an Order Striking the Report of the Chapter 11 Trustee
7/5/2006	631	Trustee's Joinder to Lenders' Objection to the Official Committee of Unsecured Creditor's Proposed Order Granting/Denying its Motion to Strike the Trustee's Report
7/6/2006	632	Order Granting In Part And Denying In Part the Motion of the Official Committee of Unsecured Creditors for An Order Striking the Report of Yann Geron, Chapter 11 Trustee of the Estate of AppliedTheory Corporation, et al., Debtors, Concerning His Review and Determination of Certain Alleged Estate Claims, and Substantive References thereto, as a Basis for Approving the Trustee's Motion for An Order Authorizing And Approving a Stipulation Settling And Compromising All Claims Between the Debtors' Estates and the Secured Creditors, Authorizing the Distribution in Respect of the Secured Creditors' Allowed Claims and Authorizing the Dismissal of

		the Debtors' Chapter 11 Cases
11/14/2006	640	Affidavit of Yann Geron in Support of Trustee's Motion for an Order (i) Authorizing and Approving a Stipulation Settling and Compromising all Claims Between the Debtors' estates and the Secured Creditors, (ii) Authorizing the Distribution in Respect of the Secured Creditors' Claims, and (iii) Authorizing Dismissal of the Secured Creditors' Claims, and (iii) Authorizing Dismissal of the Debtors' Chapter 11 Cases
11/14/2006	641	Evidentiary Submissions Referenced in Affidavit of Yann Geron in Support of Trustee's Motion for an Order (i) Authorizing and Approving a Stipulation Settling and Compromising all Claims Between the Debtors' Estates and the Secured Creditors, (ii) Authorizing the Distribution in Respect of the Secured Creditors' Claims, and (iii) Authorizing Dismissal of the Debtors' Chapter 11 Cases
11/14/2006	643	Affidavit of Maurice Hryshko Concerning Perfection of the Lenders' Security Interests in Proceeds of Red Hat, Inc. Stock
11/17/2006	644	Supplemental Objection of the Official Committee of Unsecured Creditors to Trustee's Motion for an Order pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure, (i) Authorizing and Approving Stipulation Settling and Compromising All Claims Between the Debtors' Estates and Secured Creditors, and (ii) Authorizing Distribution in Respect of Secured Creditor's Allowed Claims
11/20/2006	645	Committee Exhibit List (Volumes 1 through 5)
11/20/2006	N/A	Chart (Document 16 in Committee Exhibit List) (Exhibit A)
11/20/2006	N/A	Chart (Document 70 in Committee Exhibit List) (Exhibit B)
11/20/2006	N/A	Chart (Document 88 in Committee Exhibit List) (Exhibit C)
11/20/2006	N/A	Chart (Document 93 in Committee Exhibit List) (Exhibit D)

3/21/2007	654	Transcript of Hearing Held on November 21, 2006
7/10/2007	660	Letter to the Court concerning recent decision of the U.S. Court of Appeals for the Second Circuit
8/14/2007	N/A	Letter from Committee Counsel to the Bankruptcy Court Concerning Second Circuit Court of Appeals Decision (Exhibit E)
8/16/2007	664	Letter from Elliott Lenders' Counsel with Memorandum Endorsement by the Bankruptcy Court
8/23/2007	N/A	Letter from Lenders' Counsel to the Bankruptcy Court Concerning August 14, 2007 Letter from Committee Counsel (Exhibit F)
4/24/2008	678	Bench Decision and Order on Chapter 11 Trustee's Motion Pursuant to FED.R.BANKR.P 9019, for Approval Settlement with Lenders
5/2/2008	681	Notice of Appeal
8/30/2002	191	Monthly Operating Report for the Month of April, 2002
6/4/2003	320	Monthly Operating Report for the Month of May, 2002 (Amended)
9/4/2002	193	Monthly Operating Report for the Month of June, 2002
12/05/2002	227	Monthly Operating Report for the Month of July, 2002 (Amended)
2/4/2003	244	Monthly Operating Report for the Month of August, 2002
2/4/2003	245	Monthly Operating Report for the Month of September, 2002
2/4/2003	246	Monthly Operating Report for the Month of October, 2002

3/11/2003	261	Monthly Operating Report for the Month of November, 2002
3/11/2003	262	Monthly Operating Report for the Month of December, 2002
5/12/2003	297	Monthly Operating Report for the Month of January, 2003
5/12/2003	298	Monthly Operating Report for the Month of February, 2003
6/04/2003	321	Monthly Operating Report for the Month of March, 2003
8/11/2003	375	Monthly Operating Report for the Month of April, 2003
8/11/2003	376	Monthly Operating Report for the Month of May, 2003
8/12/2003	377	Monthly Operating Report for the Month of June, 2003
8/19/2003	381	Monthly Operating Report for the Month of July, 2003
9/15/2003	392	Monthly Operating Report for the Month of August, 2003
10/23/2003	403	Monthly Operating Report for the Month of September, 2003
11/19/2003	408	Monthly Operating Report for the Month of October, 2003
12/24/2003	417	Monthly Operating Report for the Month of November, 2003
1/27/2004	421	Monthly Operating Report for the Month of December, 2003
3/11/2004	430	Monthly Operating Report for the Month of January, 2004

4/7/2004	433	Monthly Operating Report for the Month of February, 2004
4/20/2004	441	Monthly Operating Report for the Month of March, 2004
7/12/2004	455	Monthly Operating Report for the Month of April, 2004
7/12/2004	456	Monthly Operating Report for the Month of May, 2004
8/2/2004	462	Monthly Operating Report for the Month of June, 2004
8/23/2004	472	Monthly Operating Report for the Month of July, 2004
9/22/2004	478	Monthly Operating Report for the Month of August, 2004
10/26/2004	486	Monthly Operating Report for the Month of September, 2004
11/30/2004	496	Monthly Operating Report for the Month of October, 2004
1/5/2005	499	Monthly Operating Report for the Month of November, 2004
2/9/2005	500	Monthly Operating Report for the Month of December, 2004
3/8/2005	510	Monthly Operating Report for the Month of January, 2005
4/28/2005	513	Monthly Operating Report for the Month of February, 2005
5/17/2005	516	Monthly Operating Report for the Month of March, 2005
7/6/2005	518	Monthly Operating Report for the Month of April, 2005

7/6/2005	519	Monthly Operating Report for the Month of May, 2005
8/10/2005	530	Monthly Operating Report for the Month of June, 2005
10/3/2005	553	Monthly Operating Report for the Month of July, 2005
10/3/2005	554	Monthly Operating Report for the Month of August, 2005
10/27/2005	567	Monthly Operating Report for the Month of September, 2005
11/28/2005	577	Monthly Operating Report for the Month of October, 2005
1/3/2006	584	Monthly Operating Report for the Month of November, 2005
1/27/2006	589	Monthly Operating Report for the Month of December, 2005
2/13/2006	593	Monthly Operating Report for the Month of January, 2006
3/17/2006	605	Monthly Operating Report for the Month of February, 2006
4/12/2006	609	Monthly Operating Report for the Month of March, 2006
5/22/2006	614	Monthly Operating Report for the Month of April, 2006
6/16/2006	622	Monthly Operating Report for the Month of May, 2006
7/18/2006	635	Monthly Operating Report for the Month of June, 2006
8/28/2006	636	Monthly Operating Report for the Month of July, 2006

9/27/2006	637	Monthly Operating Report for the Month of August, 2006
10/31/2006	639	Monthly Operating Report for the Month of September, 2006

B. Statement of Issue to be Presented

Did the Bankruptcy Court commit reversible error in denying the motion of the Chapter 11 Trustee (i) authorizing and approving a stipulation settling and compromising all claims between the Debtors' estates and the secured creditors [Appellants], (ii) authorizing the distribution in respect of the secured creditors' allowed claims, and (iii) authorizing dismissal of the Debtors' chapter 11 cases?

Dated: New York, New York
May 12, 2008

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